

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB STORY**, on March 6, 2001 at 8 A.M., in Room 472 Capitol.

ROLL CALL

Members Present:

Rep. Bob Story, Chairman (R)
Rep. Ron Erickson, Vice Chairman (D)
Rep. Roger Somerville, Vice Chairman (R)
Rep. Joan Andersen (R)
Rep. Keith Bales (R)
Rep. Joe Balyeat (R)
Rep. Gary Branae (D)
Rep. Eileen Carney (D)
Rep. Larry Cyr (D)
Rep. Rick Dale (R)
Rep. Ronald Devlin (R)
Rep. John Esp (R)
Rep. Gary Forrester (D)
Rep. Daniel Fuchs (R)
Rep. Verdell Jackson (R)
Rep. Jesse Laslovich (D)
Rep. Trudi Schmidt (D)
Rep. Butch Waddill (R)
Rep. Karl Waitschies (R)
Rep. David Wanzenried (D)

Members Excused: None.

Members Absent: None.

Staff Present: Jeff Martin, Legislative Branch
Rhonda Van Meter, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HJ 2, 3/2/2001; HB 550,
3/2/2001; HB 619, 3/2/2001; HB
622, 3/2/2001

Executive Action: 209 Amendment to HJR 2;
Amendment 210 to HJR 2; HB
328; HB 330

{Tape : 1; Side : A; Approx. Time Counter : 9.4 - 17.6}

HEARING ON HJ 2

Informational Testimony: **Terry Johnson, Legislative Fiscal Division (LFD)**, referred Committee members to the revenue estimate dealing with nongeneral fund revenue sources. He explained that the estimates on the nongeneral fund components need to be made in order to establish budget levels for those components. **Mr. Johnson** proceeded to review the various funding resources in the Trust and Legacy account.

{Tape : 1; Side : A; Approx. Time Counter : 15.8 - 17.6}

CHAIRMAN STORY asked what part of the estimate shows how much money is in the trust. **Mr. Johnson** explained that all of the funds from the Common School, Deaf and Blind, and Pine Hills Trust and Interest and Income account go into the Trust and Legacy account for investment by the Board of Investments. The determination of interest earnings for each sub-trust is based on a percentage basis.

{Tape : 1; Side : A; Approx. Time Counter : 17.6 - 18.3}

REP. BALYEAT asked how many different trusts are in the account. **Mr. Johnson** stated that there are about 10 or 11; the largest of which is the Common School Trust.

{Tape : 1; Side : A; Approx. Time Counter : 18.3 - 20.3}

Referring to pages 120, 122, and 125, where it shows trust pool interest millions, **CHAIRMAN STORY** asked if that was the annual interest from the account. **Mr. Johnson** explained that the trust pool interest is the amount that the state is expecting to receive from investment of the entire pool of funds administered by the Board of Investments. Included in that is the coal Severance Tax Permanent Trust Account and each of the sub-trusts owns so many shares.

{Tape : 1; Side : A; Approx. Time Counter : 20.3 - 23.7}

REP. ERICKSON requested clarification on the use of percentage for some of the trusts, but not others. **Mr. Johnson** explained the process whereby the Board of Investors uses the funds from the Trust and Legacy Account to purchase shares in the bond pool and returns interest earnings back to the Department of Natural Resources, which administers the total earnings to the Trust and Legacy. The percentage factor comes into play only on the Trust and Legacy Account. The Arts Trust, Parks Trust, Coal Severance

Trust, and the other trusts, own their own shares of the bond pool, so there is no application of percentage.

{Tape : 1; Side : A; Approx. Time Counter : 23.7 - 24.8}

REP. SCHMIDT asked questions about the shares. **Mr. Johnson** reiterated that the Arts Trust has 39,000 shares, and the Trust and Legacy has shares. There is not a fixed dollar amount for each share.

{Tape : 1; Side : A; Approx. Time Counter : 24.8 - 26.1}

REP. BALES asked if they take the interest in millions, divide it by the number of shares, and multiply it times the percentage, and come up with the dollar amount in each account. **Mr. Johnson** replied that he is correct although there are some funds outside the trust pool that receive a little more interest.

{Tape : 1; Side : A; Approx. Time Counter : 26.1 - 29.8}

Mr. Johnson continued with his explanation of funding resources. Responding to **CHAIRMAN STORY**, **Mr. Johnson** said that he was correct that all the money ends up in local government. Two-thirds goes directly to the county and one-third goes into the county-wide schools. It is revenue from federal lands and goes through the state treasury.

{Tape : 1; Side : A; Approx. Time Counter : 29.8 - 31.2}

Mr. Johnson continued with the lodging facility tax, which is expected to grow significantly over the next few years. **REP. FORRESTER** asked if the deficiencies found in the 1999 legislative audit were addressed in this, and **Mr. Johnson** said he was unaware of the report.

{Tape : 1; Side : B; Approx. Time Counter : 0.3 - 4.6}

Mr. Johnson reviewed the Fish, Wildlife, and Parks Trust account, which receives deposits from the Coal Severance Tax. This trust owns about 148,000 shares of the trust. **CHAIRMAN STORY** asked why the shares on this trust dropped, and **Mr. Johnson** replied that it was due to an overstatement of share allocation; FY01 and FY03 reflect that. It does not reflect a drop in the trust principle. The dollar amount shown for revenue is the official number reported in the state accounting system; the corresponding residual detail received from other agencies may not coincide with it.

{Tape : 1; Side : B; Approx. Time Counter : 4.6 - 11.5}

Mr. Johnson explained investment terms and the methods that agencies use to estimate their budgets and account for revenues.

{Tape : 1; Side : B; Approx. Time Counter : 11.5 - 12.5}

REP. ANDERSEN asked **Mr. Johnson** why the forecast for 2003 was lower than the previous year. **Mr. Johnson** answered that short term interest is based on available cash in the short term pool, but the driving factor is the interest rate projection and short term interest rates are projected to decline.

{Tape : 1; Side : B; Approx. Time Counter : 12.5 - 19.3}

Mr. Johnson reviewed the Pine Hills Interest and Income account. He then addressed the 6 mill and 9 mill account revenues, which go into a state special revenue account. The 6 mill levy account is a statewide levy, applied to the statewide taxable value, which funds a portion of the university system. The 9 mill account funds human services costs and is applied only to the taxable value in those counties. **Mr. Johnson** then reviewed the resource indemnity tax and trust. The revenue and interest earnings are used to fund various governmental operations.

{Tape : 1; Side : B; Approx. Time Counter : 19.3 - 21.5}

REP. BALES asked why the spreadsheet shows the trust balance going to \$101 million while it was supposed to be capped at \$100 million. **Mr. Johnson** explained that the whole year's money goes in before it is diverted and requires the Governor to certify that the account has reached \$100 million, at which point, excess funds can be used for whatever purpose the Legislature chooses. The Board of Investments also invests this account and the interest income is deposited into a state special revenue account to fund various infrastructure projects and is administered by the Department of Commerce.

{Tape : 1; Side : B; Approx. Time Counter : 21.5 - 22.7}

REP. ERICKSON said that it says the Treasure State Endowment Trust account receives 37.5 percent of the total severance tax and asked if this was true. **Mr. Johnson** explained that it was in respect to the 50 percent that goes into the pool.

{Tape : 1; Side : B; Approx. Time Counter : 22.7 - 24.8}

The next funding source reviewed by **Mr. Johnson** was the vehicle tax revenue. The non-levy allocation of this revenue is placed in a special revenue account to fund district courts. This proposal does take into account the initiative that was passed.

{Tape : 1; Side : B; Approx. Time Counter : 24.8 - 25.4}

REP. ERICKSON asked if there was a separate accounting of the regional water account. **Mr. Johnson** stated that there is a technical amendment that will put the estimate in for the regional water account and the resolution for the tobacco trust earnings.

{Tape : 1; Side : B; Approx. Time Counter : 25.4 - 31.1}

EXECUTIVE ACTION ON HJ 2

Motion: REP. SOMERVILLE moved that HJ 2, AMENDMENT 209 DO PASS.

Discussion: REP. SOMERVILLE distributed the changes made in the amendment to HJR 2 **EXHIBIT(tah51a01)** and a spreadsheet of the HJR 2 Amendment proposal **EXHIBIT(tah51a02)** and reviewed the changes that the amendment addresses.

Vote: Motion carried unanimously.

{Tape : 2; Side : A; Approx. Time Counter : .3 - 1.5}

REP. SOMERVILLE stated that it was his understanding that the Committee agreed on approval on the diesel. Amendment 210 does cover the changes. REP. ERICKSON stated that the amendments reflect what the Committee did the prior day in adopting the changes to the diesel and gasoline tax. REP. ERICKSON stated that the Committee did the motion on the handout distributed the day before. The amendments for the diesel tax were distributed **EXHIBIT(tah51a03)** and **EXHIBIT(tah51a04)**.

{Tape : 2; Side : A; Approx. Time Counter : 1.5 - 5}

EXECUTIVE ACTION ON HB 328

Motion: REP. SOMERVILLE moved that HB 328 DO PASS.

Motion: REP. BALLYEAT moved that HB 328 BE TABLED.

Discussion: REP. ANDERSEN asked if this was part of the other bill that was passed. REP. SOMERVILLE explained that there were two bills that came forward to deal with the termination date and the percentages with the endowment tax credit. HB 328 is a very tight title which would only allow the termination of the sunset, and there was no money in the budget to do that. The Committee extended HB 377 it out 6 years and changed the percentages a little. HB 328 is no longer needed.

Vote: Motion carried unanimously.

Two letters in support of HB 328 were submitted **EXHIBIT(tah51a05)** and **EXHIBIT(tah51a06)**.

{Tape : 2; Side : A; Approx. Time Counter : 5 - 5.6}

EXECUTIVE ACTION ON HB 330

Motion/Vote: REP. ERICKSON moved that HB 330 BE TABLED. Motion carried unanimously.

{Tape : 2; Side : A; Approx. Time Counter : 5.6 - 12.7}

HEARING ON HB 550

Sponsor: REP. GAIL GUTSCHE, HD 66, Missoula

Proponents: Betty Whiting, Montana Association of Churches
Harrell Holzer, Montana State AFL-CIO
Wendy Young, WEEL
Jim Campbell, Montana Catholic Conference
Briana Kierstein, Montana Peoples' Action

Opponents: None.

Opening Statement by Sponsor: REP. GAIL GUTSCHE, HD 66, Missoula, presented HB 550, an earned income tax credit bill (EITC), which provides a work incentive and helps low-income working families by reducing taxes on their wages. She reviewed the background of HB 550 and the federal legislation after which it is modeled. The bill provides for an EITC program at 10 percent of the federal EITC beginning December 31, 2001 and rises to 15 percent in 2002, and 20 percent in 2004. The bill also provides for notification of eligibility.

{Tape : 2; Side : A; Approx. Time Counter : 12.7 - 26.6}

Proponents' Testimony: Betty Whiting, Montana Association of Churches, distributed a handout **EXHIBIT(tah51a07)** and explained why the Association of Churches is interested in this bill. She reviewed past legislative measures that helped everyone but the poor, and discussed what this legislation would do for low-income working Montanans and Montana communities. It would be easy to administer since this is a line that would be put on the state income tax form. Because it is based on a percentage of the federal EITC, which is adjusted for inflation, this would not need to be adjusted every two years. She stated that Montana public policy is a contributing factor in the poverty in the state and went over measures that could alleviate this; this bill is one such measure. She asked the Committee to pass HB 550.

{Tape : 2; Side : A; Approx. Time Counter : 26.6 - 27.8}

Wendy Young, representing WEEL, agreed with **Ms. Whiting** and urged a do pass on HB 550.

{Tape : 2; Side : A; Approx. Time Counter : 27.8 - 31.8}

Briana Kirstein, Montana Peoples' Action, said that the state should invest in the families that need help the most; those that are working very hard, but are still in poverty. Over the last 5 years, the state has given away \$440 million to businesses in the form of tax breaks. The working people of Montana deserve a small break, as well. She asked for support of HB 550.

{Tape : 2; Side : B; Approx. Time Counter : 0.3 - 1.5}

Opponents' Testimony: None.

Informational Testimony: None.

Questions from Committee Members and Responses: **REP. CARNEY** asked **REP. GUTSCHE** asked if the \$9 million in the fiscal note that the state will lose is from taxes that poor people pay to the state, and **REP. GUTSCHE** replied that the \$9 million is from general fund and is not earmarked from poor people's tax dollars.

{Tape : 2; Side : B; Approx. Time Counter : 1.5 - 3.7}

CHAIRMAN STORY asked if she had an analysis done to see how many people would receive a larger refund than they pay in. **REP. GUTSCHE** said that she has not had that analysis done, although **Ms. Whiting** might be able to answer that. About 85% of those who currently claim the federal EITC would also claim the state one.

{Tape : 2; Side : B; Approx. Time Counter : 3.7 - 22}

REP. BALYEAT asked **Ms. Whiting** if the fiscal impact to the state would not be \$18 million over the biennium, not \$9 million, and **Ms. Whiting** answered that it was. She further suggested that if the Committee is interested in starting this, it should amend the bill and let the next legislature see if it wants to raise it. **REP. BALYEAT** noted that the bill does not permit a married couple to take the credit if they file separate returns. **REP. GUTSCHE** said that she would consider that a friendly amendment. In follow up, **REP. BALYEAT** asked if she have suggestions on whether income for this should be combined or each should be separately eligible for the credit. She suggested that the Taxation Committee should work on this. **REP. BALYEAT** referred to the federal EITC eligibility and said that probably 50 percent of Montanans would be eligible. **REP. GUTSCHE** stated that currently about 68,000 people collect EITC, and the analysis done on the other 14 states that have this indicates that about 85% of those claiming the federal EITC will attempt to claim the state EITC.

In follow up, **REP. BALYEAT** asked if in calculating eligibility for child care, food stamps, and other programs, EITC is included. **Ms. Young** answered that the Department of Public Health and Human Services does use that information in

calculating eligibility; she distributed information on the typical Montana family **EXHIBIT(tah51a08)**. **REP. BALLYEAT** asked if she considered it a good aspect that for the sake of \$300 it might make someone ineligible for food stamps or child care. **Ms. Young** said that she would like to see the state increase the amount that people can earn and still receive assistance. It is good to have money in people's pockets. If they become ineligible for something like utility assistance, then maybe the eligibility requirements need to be changed.

REP. BAYEAT asked the same question of the sponsor and received a similar answer. He then asked **Ms. Whiting** if she understood that a reason the state uses spending programs for relief for low-income people is that they do not pay that much in taxes. He asked if she would concede that it is a mischaracterization to say this since the state has increased spending in assistance programs. **Ms. Whiting** disagreed with his assumption that more money has been put into these programs.

{Tape : 2; Side : B; Approx. Time Counter : 22 - 24.5}

REP. WAITSCHIES questioned **REP. GUTSCHE** to explain where the 85 percent figure was derived from; she explained that other states have this program, and it has been about 85 percent of the federal EITC. In follow up, he asked if the analysis was done with states with refundable credits. She stated that 9 states plus the District of Columbia have refundable credits, and another 5 have none, so there are 14 states with some program. **REP. WAITSCHIES** said that if it reaches 100 percent then the fiscal note would not cover it, and **REP. GUTSCHE** responded that the state would not reach 100 percent until many years in the future, if ever.

{Tape : 2; Side : B; Approx. Time Counter : 24.5 - 25.3}

REP. ERICKSON asked **REP. GUTSCHE** if it would be a friendly amendment to say go with 10 percent and wait for the future to see if there is enough money to do more, and **REP. GUTSCHE** responded that it would.

{Tape : 2; Side : B; Approx. Time Counter : 25.3 - 27.2}

REP. BALES asked **REP. GUTSCHE** why TANF funds were not in the bill, and **REP. GUTSCHE** said that if TANF is available now, she would be happy to have this in the bill, although it would not cover all of it. She mentioned that TANF and Maintenance of Effort are used by other states to fund parts of the program, so it would be a friendly amendment. In follow up, **REP. BALES** asked if she knew what percentage could come from TANF, and she responded that she does not know, but she could get some information for the Committee before it does executive action.

REP. ERICKSON said that \$600,000 was the figure given by **Ms. Whiting** in her presentation.

{Tape : 2; Side : B; Approx. Time Counter : 27.2 - 28.7}

REP. ANDERSEN asked if it was \$600,000 per year or for the biennium. **Ms. Whiting** said that she thinks it is yearly, but is unsure. Originally, the Center for Budget Policy said that \$9 million would be the cost, and \$1.2 million could be used from TANF funds. The state office said that there are so many people under TANF who are not working so would not be eligible for this that they lowered the number to around \$600,000 rather than \$1.2 million. She said that she will have to get the information from the Department of Public Health and Human Services (DPHHS).

{Tape : 2; Side : B; Approx. Time Counter : 28.7 - 32.2}

CHAIRMAN STORY asked **Larry Finch**, Department of Revenue, if he could give insight into why so few Montanans apply for the EITC if they are eligible. He explained that people at the \$30,000 level might receive only a few dollars so would not see it as worth their time. People without children are eligible for the EITC, but the amount they would receive would be very small.

CHAIRMAN STORY then asked if they took into account that people who file separately would not receive this or did they just use those who are eligible for federal credit. **Mr. Finch** said that when he did the fiscal note, he kept in mind what goes on at the federal level, and excluded those married couples living together that file separate documents. The fiscal note would stay the same.

{Tape : 3; Side : A; Approx. Time Counter : 0.4 - .8}

REP. BALLYEAT clarified that people do not have to be married to be eligible.

{Tape : 3; Side : A; Approx. Time Counter : 0.8 - 2.1}

CHAIRMAN STORY said that **Ms. Kirstein** had said that this would be the best use of tax dollars and asked her if she thought it was better than funding education and health and human services. She responded that Montana People's Action does not believe that the Legislature should be pitting education, health care, child care against each other. It does believe that it is a better use of money to give tax breaks to families than to give tax breaks to large companies.

CHAIRMAN STORY asked **REP. GUTSCHE** where she was going to find the \$9 million per year to fund this. She responded that they would fund it from general fund as other states have done. A little could come from TANF, but it would not be \$9 million.

{Tape : 3; Side : A; Approx. Time Counter : 2.1 - 5.1}

Closing by Sponsor: REP. GUTSCHE distributed a handout which shows the federal EITC benefit levels for families at different income levels **EXHIBIT(tah51a09)**. In order to receive this credit, a family has to be working and will generally have children. Many people off welfare are still in poverty; they are working, but still need assistance. This is assistance that will go directly back into the economy and is an investment in working families. The legislature has invested heavily in big businesses in the last two legislative sessions, and it is time to invest in working families. She asked the Committee to do pass on this bill.

{Tape : 3; Side : A; Approx. Time Counter : 5.1 - 5.9}

CHAIRMAN STORY closed the hearing on HB 550 and stated that they would do executive action on March 12. He suggested that **REP. GUTSCHE** get together with the Department and do an analysis to see how many people will receive more credit than they are paying in so that the Committee can see the revenue shift.

Written testimony was submitted on the bill from the Montana Catholic Conference **EXHIBIT(tah51a10)**.

{Tape : 3; Side : A; Approx. Time Counter : 5.9 - 10.7}

HEARING ON HB 619

Sponsor: REP. CHRISTOPHER HARRIS, HD 30, Bozeman

Proponents: Arnie Olsen, Montana Historical Society
Mark Baumler, Montana Historical Society
Kathy Macefield, Montana Preservation Alliance (MPA)

Opponents: None.

Opening Statement by Sponsor: REP. CHRISTOPHER HARRIS, HD 30, Bozeman, presented his bill, which expands the Conservation Easement Program to cover historically significant structures and buildings by allowing a tax credit to the owners of the property provided that they fulfill the conditions of the contract. Additionally, the bill would provide an additional tax credit of no more than \$25,000 a year to the property owner to maintain the historically significant property. He asked the Committee to pass the bill to preserve Montana's heritage.

{Tape : 3; Side : A; Approx. Time Counter : 10.7 - 13}

Proponents' Testimony: Arnie Olsen, Director of the Montana Historical Society, read his testimony in support of the bill **EXHIBIT(tah51a11)** and urged support of HB 619. He has discussed his only concern with the sponsor, which is that the required

easement term is only 21 years. The Society would like to see a much longer term of 100 years or even perpetuity.

{Tape : 3; Side : A; Approx. Time Counter : 13 - 15.7}

Cathy Macefield, a board member of the **Montana Preservation Alliance**, stated that the bill will provide another tool for property owners in the preservation of their historic buildings. She asked the Committee to support the HB 619.

Opponents' Testimony: None.

Informational Testimony: None.

{Tape : 3; Side : A; Approx. Time Counter : 15.7 - 17.2}

Questions from Committee Members and Responses: **REP. ERICKSON**

asked **REP. HARRIS** what he would do to make the easement term better than 21 years, and he replied that he is flexible. He picked that number to set some sort of middle ground. Since buildings do decay, he thought that in perpetuity was too much. He suggested a number over 30, but less than 100.

{Tape : 3; Side : A; Approx. Time Counter : 17.2 - 21.1}

REP. JACKSON asked **REP. HARRIS** if buildings with historical significance but no practical use are what this bill has in mind. He asked him to explain what the tax credit applies to. **REP. HARRIS** responded that the traditional conservation easement tax credit, which addresses the diminution of value if the property is preserved in the bill, and up to \$25,000 per year can be used for preserving the property, which is available on a dollar per dollar basis, providing that those expenditures are in line with the agreed upon contract.

{Tape : 3; Side : A; Approx. Time Counter : 21.1 - 24.3}

REP. SCHMIDT asked **REP. HARRIS** if there are guidelines for what is considered an historically significant building. He explained that any building in the historic registry qualifies, but if there is an agreed upon criteria by the historic preservation officer, that could qualify as well. **Mark Baumler, Montana State Historic Preservation Officer**, explained the criteria used in declaring a building historically significant. In follow up, **REP. SCHMIDT** asked **Mr. Baumler** if a building meeting historical significance had to meet at least one of the criteria, and he said that it would have to meet one or more.

{Tape : 3; Side : A; Approx. Time Counter : 24.3 - 28.4}

REP. BALYEAT asked if it could only be used as an offset against income taxes. **REP. HARRIS** replied that it is a tax credit off Montana income taxes. **REP. BALYEAT** asked if it would do

something more than the credit that already exists, which not many use. **REP. HARRIS** said that there are many historically significant buildings in Montana, and if people and their tax accountants knew about this, there would be a significant impact. **REP. BALLYEAT** said that as he reads the fiscal note, it will not have any impact on income tax because those using the credit are wiping out their state income tax liability. The only people who would benefit from this credit are the really wealthy.

{Tape : 3; Side : A; Approx. Time Counter : 28.4 - 32}

REP. ANDERSEN asked if there is still federal money available for restoration of buildings that are on the national historic registry as opposed to a tax credit. **Mr. Baumler** said that each state receives federal monies to support historic preservation programs. **REP. ANDERSEN** asked further should a person receive federal restoration dollars, is he then limited in what else he may do to the property. **Mr. Baumler** said that there is a general imposition of conditions to maintain the building to the level of restoration. She further asked if there would be a limitation on the right to sell the property, to which he responded that the covenants may set limits on that as well.

{Tape : 3; Side : B; Approx. Time Counter : 0.3 - 1.1}

REP. SCHMIDT asked **REP. HARRIS** if other states have something similar. **REP. HARRIS** investigated other states' laws but found them too complex so tried to develop a more straight forward approach.

{Tape : 3; Side : B; Approx. Time Counter : 1.1 - 7.6}

CHAIRMAN STORY asked what the qualified private organizations are, and **REP. HARRIS** said that they are the typical conservation easement holders that already exist, such as Montana Land Alliance and Gallatin Valley Land Trust. In follow up to a prior question, he said that the covenants go with the property and the buyer must adhere to all of the requirements of the contract. There was further discussion over the particulars of the bill and suggestions to improve it.

Responding to a question from **CHAIRMAN STORY**, **Mr. Baumler** said that there are 900 historic sites and 3,000 to 4,000 individual buildings and archaeological sites that are listed.

{Tape : 3; Side : B; Approx. Time Counter : 7.6 - 9.5}

REP. WAITSCHIES asked if **REP. HARRIS** would be opposed to making this part of the endowment tax credit. **REP. HARRIS** said that he would need to understand the impact. It would have to provide significant incentive to bother to preserve a property so there must be a good balance.

{Tape : 3; Side : B; Approx. Time Counter : 9.5 - 12.}

Closing by Sponsor: REP. HARRIS said that while rich people may use this bill, he suspects that there are many farm families and cities and towns that have historically significant buildings and would find this an incentive to preserve those buildings. He said that under current law, this would have to be an income producing property. Many of these historically significant buildings are not income producing, there are just there and decaying. He would be happy to work with Committee members on any amendments that they proposed.

{Tape : 3; Side : B; Approx. Time Counter : 12 - 22.1}

HEARING ON HB 622

Sponsor: REP. HOLLY RASER, HD 70, Missoula County

Proponents: Betty Whiting, Montana Association of Churches
Gloria Paladichuk, City of Glendive
Carol Lambert, Women Involved in Farm Economics
Deborah Smith, NRDC/RNWP
Bob Stephens, Montana Grain Growers
Ralph Lenhart, HD 2
Patrick Judge, MEIC
Matthew Leow, Montana PIRG
Holly Franz, ASiMI

Opponents: None.

Opening Statement by Sponsor: REP. HOLLY RASER, HD 70, Missoula County, explained that her bill, HB 622, provides: a tax credit for individuals to install alternative energy equipment for residences; a commercial investment credit for the production of electricity through alternative means; and authorizes the creation of special improvement districts in communities for the production of alternative energy facilities. She distributed a news article **EXHIBIT(tah51a12)** and reviewed the bill and the fiscal note. The current impact would be small, but the long range impact would be considerable. The intent of the bill is to provide tax credits to businesses to invest in alternative energy systems to reduce reliance on high cost energy and encourage economic development.

{Tape : 3; Side : B; Approx. Time Counter : 22.1 - 27}

Proponents' Testimony: REP. RALPH LENHART, HD 2, Glendive, stated that the bill is much needed with the high energy costs that schools, churches, businesses, and individuals may receive. Montana needs a bill like this to jump start some jobs, and also

provide alternative energy sources. He distributed some brochures on geothermal heating and cooling **EXHIBIT(tah51a13)** and **EXHIBIT(tah51a14)**.

{Tape : 3; Side : B; Approx. Time Counter : 27 - 31.4}

Patrick Judge, Montana Environmental Information Center, supports HB 622. He stated that Montana has enough wind potential in the state to create 116,000 average megawatts of wind, about 15 percent of the United States total energy consumption. He reviewed the environmental and economic advantages of renewable energy. He requested support to help get the systems off the ground.

{Tape : 3; Side : B; Approx. Time Counter : 31.4 - 32}

Carol Lambert, Women Involved in Farm Economics (WIFE), stated that WIFE supports this bill and asked that the Committee consider an amendment, which would specifically include grains.

{Tape : 4; Side : A; Approx. Time Counter : 1.5 - 4.2}

Matthew Leow, representing Montana Public Interest Research Group (MT PIRG), said that they support HB 622, which improves the existing code and extends geothermal tax credits to include all alternative energies. The bill will promote alternative energy for a long-term solution to the energy situation. He urged support of the bill.

{Tape : 4; Side : A; Approx. Time Counter : 4.2 - 10.3}

Debbie Smith, representing the Natural Resources Defense Council and the Renewable Northwest Project, supports HB 622, but confines that support to a limited part of the bill. She explained the interests of her group and the renewable resources that they support. She reviewed the aspects of the bill that she supports, and those that she does not support. She recommended that they focus the limited tax dollars available for economic development in Montana to the long-term sustainable power technologies that will benefit the northwest. She stated that the state should reconsider funding plants burning fossil fuels and distributed information on wind and solar energy **EXHIBIT(tah51a15)** and **EXHIBIT(tah51a16)**.

{Tape : 4; Side : A; Approx. Time Counter : 10.3 - 11.1}

Bob Stephens, from the Montana Graingrowers Association, expressed support for this bill.

{Tape : 4; Side : A; Approx. Time Counter : 11.1 - 12.7}

Betty Whiting, the Montana Association of Churches, expressed support for the bill.

{Tape : 4; Side : A; Approx. Time Counter : 12.7 - 14.5}

Holly Franz, representing the Advanced Silicon Materials Plant (ASiMI), stated that they support anything that will help lower energy costs. ASiMI knows that incentives work since it came to Montana as a result of an incentive package. Silicon is also used in manufacture of solar panels, so this would be a good economic venture. She urged passage of HB 622.

Opponents' Testimony: None.

Informational Testimony: None.

{Tape : 4; Side : A; Approx. Time Counter : 14.5 - 16.6}

Questions from Committee Members and Responses: **REP. BRANAE** asked **Mr. Judge** about the history of the Livingston wind farm that was not successful. **Mr. Judge** said that in the first generation there were concerns about avian mortalities and the appearance of the wind generators, but those have largely been resolved. **REP. BRANAE** asked how effective wind generation is in other parts of the country, and **Mr. Judge** answered that it is the most encouraging renewable resource and has been developed aggressively in some of the mid-western states.

{Tape : 4; Side : A; Approx. Time Counter : 16.6 - 19.2}

REP. ESP asked if the organization opposes legislation and county regulation land use limiting the positioning of wind generation. **Mr. Judge** responded that they believe that any generation facility should go through the Major Facilities Siting Act (MFSA). **REP. ESP** asked if he would consider the wind farm at Livingston a major facility, and **Mr. Judge** said that under the current definition he would not.

{Tape : 4; Side : A; Approx. Time Counter : 19.2 - 24.9}

REP. JACKSON asked **REP. GLASER** to respond to remarks regarding old technologies, such as wood stoves. **REP. GLASER** stated that the intent of the bill is to increase electrical energy production. They are not changing the language that discusses wood stoves. In follow up, **REP. JACKSON** asked for clarification on the bill's intent to address energy generation using alternative resources or energy conservation. **REP. GLASER** said that the bill is meant to address alternative energy production systems or manufacture of production systems, not energy conservation. There was further discussion of the intent of the bill.

Responding to a question from **REP. BRANAE, Tom Livers, representing the Department of Environmental Quality,** said that there is a separate portion of Montana law that provides certain

tax credits for conservation activities, including heat exchangers and insulation, which would be independent of this bill.

{Tape : 4; Side : A; Approx. Time Counter : 24.9 - 27.4}

REP. BALES asked **Mr. Judge** about the lack of continuous electricity using wind generation. **Mr. Judge** said that wind does have to be used with other electrical resources. In follow up, **REP. BALES** asked if the costs of interrupted generation have been figured in, **Mr. Judge** responded with the cost per kilowatt hour.

{Tape : 4; Side : A; Approx. Time Counter : 27.4 - 32}

REP. GLASER reviewed the section on wood stoves for **REP. SCHMIDT**. **REP. SCHMIDT** asked **Mr. Livers** to elaborate on the alternative energy resources background information. **Mr. Livers** said that most of the commercial wind development would not trigger the MFSA. He reviewed the MFSA triggers and cited examples of commercial wind development. He indicated that there would more likely be Montana Environmental Policy Act (MEPA) implications than MFSA problems. Aesthetics would be one of the concerns. He addressed the Livingston wind farm problems, and the solutions to those problems that make wind a more workable renewable resource. **REP. SCHMIDT** asked if there was any place in the state that was using wind, ethanol, and water to create a more comprehensive energy source. **Mr. Livers** said he has not heard of that combination, but did give other examples of comprehensive installations. She then asked **Ms. Smith** for amendment suggestions. **Ms. Smith** reviewed several other bills offering incentives for alternative energy and suggested that it opens the door to tax incentives that are not appropriate.

{Tape : 4; Side : B; Approx. Time Counter : 2.6 - 6.9}

REP. ERICKSON suggested that Section 4 be eliminated and asked if there was a reason to keep it. **REP. GLASER** said that it is something that could be removed. He then asked **Ms. Smith** about several of the ideas in the bill, and she went over her problems with those ideas.

{Tape : 4; Side : B; Approx. Time Counter : 6.9 - 8.9}

REP. BALES asked **Mr. Livers** questions regarding the low emissions wood heating systems in comparison to other heating systems. **Mr. Livers** said that there will be more emissions in a wood or pellet stove than a gas furnace. The standards do allow those places to continue to operate even during poor air quality days. **REP. ERICKSON** said that the pellet stoves are better than wood stoves, but not as good as gas.

{Tape : 4; Side : B; Approx. Time Counter : 8.9 - 11.6}

CHAIRMAN STORY asked if ethanol would figure into this, and **REP. GLASER** said that it was factored in. Fuel cell technology can use ethanol, which is a clean burning fuel, and it is appropriate. There was discussion about fuel cell technology.

{Tape : 4; Side : B; Approx. Time Counter : 11.6 - 13.9}

Closing by Sponsor: **REP. GLASER** said that since Montanans will be paying more for electricity, investing in alternative energies makes sense. She reiterated the intention of the bill and asked the Committee's support in HB 622. She said that she would be happy to consider suggested amendments to the bill.

ADJOURNMENT

Adjournment: 12 P.M.

REP. BOB STORY, Chairman

SYDNEY TABER, TRANSCRIPTION SECRETARY

BS/ST

EXHIBIT (tah51aad)